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13 October 1954

OFFSHORE ISLANDS

- Reduced Communist shelling of Quemoys
 last week (under 100 rds. a day). Most
 on Little Quemoy, where civilians now
 have housing problem (400-600 homes
 destroyed).
 - A. Communist practicing landings

 near Amoy--may be rehearsal or

 show of strength.

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- Nationalists at Quemoy have not attacked mainland targets since28 September.
 - A. Taipei press claims US advised suspension: complains Communists thus have new "Yalu sanctuary" in Fukien, Formosa "re-neutralized."
 - B. Statements could lead toPeiping attack in belief USanxious avoid hostilities.
 - C. Danger could increase if

 Communists spot US force
 reduction in area.